

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF VALLEY RURAL UTILITY)
COMPANY FOR APPROVAL OF A NECESSITY)
CERTIFICATE PURSUANT TO IND. CODE §8-1-2-)
87 TO PROVIDE NATURAL GAS UTILITY)
SERVICE IN CERTAIN RURAL AREAS OF)
DEARBORN COUNTY, INDIANA, FOR)
APPROVAL OF RATES AND CHARGES FOR)
SUCH SERVICE, AND FOR AN ORDER FROM)
THE INDIANA UTILITY REGULATORY)
COMMISSION PURSUANT TO IND. CODE §8-1-)
2.5 DECLINING TO EXERCISE, IN PART, ITS)
JURISDICTION AND APPROVING AN)
ALTERNATIVE REGULATORY PLAN)

CAUSE NO. 42115 GCA 8

APPROVED:

FEB 22 2012

Handwritten signatures and initials, including 'JOA', 'JG', and 'KCB'.

ORDER OF THE COMMISSION

Presiding Officers:

James D. Atterholt, Chairman

Gregory R. Ellis, Administrative Law Judge

On December 12, 2011, in accordance with Indiana Code § 8-1-2-42, Valley Rural Utility Company ("VRUC" or "Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its Petition for Gas Cost Adjustment ("GCA") and Verified Testimony of Andrew G. Duckworth with attached Schedules requesting that the Commission approve its gas costs for the prior 12 months and granting preliminary approval of its gas supply plan for the next 12 months through October, 2012.

Pursuant to notice duly published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause on January 17, 2012, at 10:30 a.m., in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and OUCC were admitted into the record without objection. No member of the rate paying public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented herein, the Commission now finds:

- 1. Statutory Notice and Commission Jurisdiction. Due, legal and timely notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a "public utility" within the meaning of Indiana Code § 8-1-2-1(a), and is subject to the Commission's jurisdiction with respect to its rates and the services it provides pursuant to an

alternative regulatory plan and Stipulation and Settlement Agreement (the "Settlement Agreement") approved by the Commission on May 8, 2002 in its Order in Cause No. 42115. The Commission therefore has jurisdiction over Petitioner and the subject matter herein.

2. Petitioner's Characteristics. Petitioner is a not-for-profit corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 19435 Alpine Drive, Hidden Valley Lake, Lawrenceburg, IN 47205. Pursuant to a Certificate of Necessity approved by the Commission in the above-referenced order, Petitioner provides natural gas service in the Hidden Valley Lake area of Dearborn County, Indiana to approximately 430 customers and presently has applications for service pending from an additional quantity of prospective customers. Valley Rural entered into a Management Agreement and Gas Supply Aggregation Contract with Utility Pipeline Ltd. ("UPL"), an engineering and pipeline operation company based in Canton, OH, for the design, construction, management, and procurement functions of its natural gas distribution system.

3. Relief Requested. Petitioner seeks Commission approval of its gas costs for November 2010 through October 2011, and preliminary review and approval of its gas supply plan for the period November 2011 through October 2012 pursuant to its alternative regulatory plan as modified by the Commission's December 28, 2006 Order in 42115 GCA 3.

4. Commission Findings. Pursuant to the alternative regulatory plan, Petitioner provides the OUCC and this Commission the following information on an annual basis:

- A. Projected system load and customer growth;
- B. A gas supply plan demonstrating contractual transportation and commodity entitlements in place sufficient to cover projected system supply;
- C. Non-binding projections of gas supply costs for the upcoming year consistent with other provisions of the alternative regulatory plan; and
- D. Information concerning Petitioner's gas supply procurement experience during the preceding twelve (12) month period, and the extent to which Petitioner has made every reasonable effort to acquire long-term gas supply so as to provide gas to its retail customers at the lowest gas costs reasonably possible during the preceding year consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A)

Petitioner provided evidence in this Cause that addressed each of these points. Petitioner's witness, Andrew G. Duckworth, President of UPL testified that Petitioner now provides natural gas distribution service to approximately 430 residential customers. Petitioner has an additional 114 customer applications pending. UPL constructed the pipeline system and maintains and assists in supply acquisition for the VRUC system pursuant to a contract with VRUC. In the last year, Petitioner added 37 new meters and anticipates adding 20 more through October 2012. Mr. Duckworth's testimony was supported by the Projected Load and Gas Cost Forecast from November 2011 through October 2012, Revised Schedule C. The Commission finds that Petitioner has provided sufficient information concerning projected system load and customer growth for the upcoming year in accordance with its alternative regulatory plan.

Mr. Duckworth testified that VRUC has a contract in place with ProLiance Energy for provision of both interstate pipeline capacity and natural gas commodity on a Firm No-Notice basis. This contract allows VRUC to flow as much gas as required for service to its system. Based on the information presented, the Commission finds that Petitioner has adequately demonstrated that it maintains contractual transportation and commodity entitlements sufficient to cover the projected load for the VRUC system.

Mr. Duckworth testified that the projection of system gas costs for VRUC submitted in support of his testimony were based on NYMEX futures prices as of the market's close on November 8, 2011. He noted that UPL takes every opportunity to ensure that the lowest gas costs reasonably possible are enjoyed by VRUC's customers. In keeping with this commitment, UPL has hedged a portion of VRUC's expected usage through March 31, 2012 through fixed contract purchases. In addition to his testimony, Mr. Duckworth sponsored a detailed summary of the monthly gas costs incurred by VRUC during the previous twelve (12) month period. He noted that the expected low price of spot gas allowed UPL to purchase gas for VRUC during these past 12 months at a very reasonable price.

The Commission finds that Petitioner has presented sufficient evidence concerning its gas supply during the period of November 1, 2010, through October 31, 2011. Further, we find that Petitioner has made a reasonable effort to obtain long-term gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A). Petitioner's gas supply acquisition activities have by necessity been handled differently than might be the case for other larger, well-established local distribution companies. The Commission notes Petitioner's small residential customer base presents challenges in obtaining gas supply because of the low load factor and low throughput associated with its load. But as the prior Order indicates, Petitioner has provided gas supply service for its customers in a reasonable manner. Petitioner will continue to be held accountable for demonstrating prudent purchasing practices. Based on the evidence, the Commission finds that the gas costs presented by Petitioner in Exhibit D to the Petition should be approved and any interim designation for such costs removed as of the date of this Order.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The gas costs for Valley Rural Utility Company for the period November 1, 2010, through October 31, 2011, are approved consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A), and the interim designation for such costs removed.
2. The gas supply plan of Valley Rural Utility Company for the period November 1, 2011, through October 31, 2012, is preliminarily approved.
3. Each month Petitioner exceeds the cap as modified by the Commission's Order in Cause No. 42115 GCA 3, a compliance filing should be filed with the Commission under both Cause No. 42115 GCA 3 and the most recent GCA proceeding documenting the reasons the cap was exceeded.
4. Valley Rural Utility Company should file its monthly tariff under the applicable GCA for Cause No. 42115 for the gas supply rate no later than the 25th day of the month following the consumption month and at least three business days prior to billing customers at that rate.

5. Valley Rural Utility Company shall file all outstanding monthly tariffs not already filed under this Cause.

6. When filing their next GCA, Valley Rural Utility Company shall use a caption that appropriately reflects the relief being sought in accordance with 170 IAC 1-1.1-9(a)(1), such as that modified by the Commission's Order in Cause No. 42115 GCA 6 and used in the Commission's Order in Cause No. 42115 GCA 7.

7. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: FEB 22 2012

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



Brenda A. Howe
Secretary to the Commission